

CITY of BRIDGEPORT
ECONOMIC and COMMUNITY DEVELOPMENT and ENVIRONMENT COMMITTEE
of the CITY COUNCIL
PUBLIC HEARING
TUESDAY, MAY 25, 2010
CITY COUNCIL CHAMBERS
6:00 P.M.

ATTENDANCE: Council members: dePara; Co-chair, Curwen; Co-chair,
Lyons, *Brantley, Martinez

*= arrived at 6:25pm

STAFF: Kelly McDermott; Senior Manager, Central Grants
Don Eversley; Director OPED

Co-chair Curwen called the public hearing to order at 6:15 pm He introduced the committee members and he noted that Council member Brantley would be present shortly.

**74-09 CONSOLIDATED PLAN FOR HOUSING AND COMMUNITY DEVELOPMENT
SUBSTANTIAL AMENDMENT SECTION 108 LOAN APPLICATION SEAVIEW PLAZA
DEVELOPMENT PROJECT**

Co-chair Curwen asked if there was anyone present to speak in favor of the item.

Ms. McDermott highlighted and gave a general overview of the project as follows:

She explained that Section 108 is the loan guarantee provision of the CDBG Program that provides communities like Bridgeport with a source of financing for economic development, housing rehabilitation, public facilities and large-scale physical development projects. Just as with CDBG, all projects must meet HUD'CDBG eligibility,

public benefit and national objective criteria, by either principally benefit low and moderate income persons, aiding in the prevention or elimination of slums and blight or meeting an urgent need in the community.

She further relayed that the program essentially allows municipalities to transform a small portion of their CDBG funds into federally guaranteed loans large enough to pursue physical and economic revitalization projects that can renew entire neighborhoods. Such public investment is often times needed in urban revitalization projects, in order to make the project financially feasible, so that it provides the public benefit to the low and moderate income residents of cities across the country.

She added that these loans are not without risk. And it is, therefore, critically important to structure them as HUD requires, with collateral and guarantees that will minimize the future risk to the City's CDBG program. This is particularly important because the Section 108 program requires pledging current and future CDBG allocations to cover the loan amount as security for the loan.

She explained how the program works, in that, the Section 108 federal loan guarantee from cities like Bridgeport, allows HUD to sell federally guaranteed notes to private investors, which in turn provides some of the necessary financing for projects such as those described earlier.

She relayed that an eligible applicant like Bridgeport applied for these funds, by adhering to the Citizen Participation Plan, identified in its *Consolidated Plan for Housing & Community Development*. Subsequently, the city must then submit an initial application to its local HUD office for review and approval. She stated that the Hartford HUD Office usually takes about 45 days to review the application for compliance with national objectives, eligible activities and certifications. HUD Hartford then forwards the application to HUD headquarters in Washington, along with their recommendations and examines the application in detail. It is at this stage that the requested loan terms and additional security offered will be examined. It is customary for the HUD staff reviewer to be in contact with the local HUD office and the applicant in order to resolve questions or issues which may arise during the review

Upon completion of the review, a Project Review Plan (consisting of HUD headquarters staff and the local HUD office) examines the application and suggest ways to resolve

issues if there are any. They might also request additional information or recommend application approval. It is then forwarded to the HUD Secretary for final approval and release.

Ms. McDermott noted that the City is seeking to utilize up to \$4.5 million of the Section 108 loan guarantee program, as part of the financial structure for the Seaview Plaza Development. The public benefit that this project will demonstrate is low/moderate income job creation. Although the Section 108 program requires one job for every \$50,000 of Section 108 funds invested in a project, this project is expected to generate 400 jobs, which equals approximately one job for every \$11,000 of Section 108 funds.

She clarified that the current credit market is very limited for commercial development activity like this. As a result, the financial structure for this project will be multi-layered and involve a number of economic development financial resources; including conventional commercial debt, developer equity, and the potential for State DECD and CDA funds, as well as New Markets Tax Credits to go along with the proposed Section 108 subordinated loan.

The Section 108 loan guarantee will allow the developer to borrow up to a total of 80% of the project's fair market value while, at the same time, underwriting it in order to achieve comfortable margins. The income stream from the development is projected to be sufficient to support the debt service on the first commercial loan and the Section 108 subordinated loan. In addition, besides the necessary pledge of CDBG as a back-up source of payment, the City will require adequate collateral and guarantees to secure the loan including a second mortgage and additional guarantees.

She further clarified what the loan meant in regard to the CDBG Program. She said that the city will not see any repayment for this loan appropriated from future years CDBG funding, as the income stream is projected to be sufficient to support the repayments, the collateral and guarantees will come into play if the borrower defaults. However, in the interest of full disclosure, the CDBG program may be required to make the payments for a short period of time while the collateral and guarantees kick in. And, if something totally unexpected were to happen and the collateral and guarantees were not sufficient to cover the repayments, the CDBG program would be the required source

of repayment. However, she said they should remember that the project is not lending more than it can comfortably support.

She concluded to say, that the City has used the Section 108 loan for three previous projects: Grow Bridgeport Fund, Marin Garfield and LEDSCO. The outstanding amount of this debt is approximately \$6 million. The Grow Bridgeport Fund generates loan repayments, which are used to repay the Section 108 loan; Marin Garfield was always structured as CDBG being the source of repayment and the LEDSCO repayments come from CDBG, as the dog track revenue expected to be the source of repayment for this 108 loan did not materialize. For the upcoming fiscal year, repayments from CDBG total just over \$938k, \$922K the following year and then they start to drop to \$718k with a zero balance expected in 2024.

A map of the Seaview Plaza was distributed that outlined the Project Benefits and State Government Issues.

An editorial from the CT Post was also distributed that outlined a request for state agencies to move forward with a sense of urgency.

Don Eversley, Director OPED stated that the funding component was crucial, due to the nature of the project being developed on the water and its proximity to I-95, as it relates to two sides of environmental conservation. He explained that they were proposing 150,000 sq. ft. of mixed-use on the remaining unused portion of the Cartin Technologies site that is uniquely situated in a east end neighborhood that needs retail activity. He expressed that this was a chance to revitalize an area that has been overlooked for years. In addition, the residents will have easy access to shopping. The challenge is that when you see a large parcel sit vacant for years, it comes with a history and issues. So the genesis of the application is faced with extraordinary costs. Before they can see any construction begin, they will have to deal with contamination and geo-technological issues, which means they need to stabilize the site before developing. They will also have to address the inland wetlands issue, so they are looking at “*cocktail financing*”, wherein the developer will bring in debt financing in addition to state agencies financing. He emphasized that the project will consist of a major transformation in the community. He clarified that community block grant dollars will **not** be used for the project.

However, the government allows them to use that funding stream as backup security. *He noted that the Economic Development Finance Consultant would discuss the matter further.*

He mentioned that they have other funding streams they can use before they tap into CDBG funds. He referred to the map distributed, pointing out the information outlined on the left that denoted how they selected the developer back in the fall. He stressed that they have made progress on the funding issues.

Mr. Eversley stated there were key elements to the project, such as:

- the generation of (400) jobs
- \$7 to \$8 million in local taxes will be generated
- leases generated
- regular and secondary impact of \$7 million in economic activity will be generated

Kevin Gremse, Economic Advisor to the City of Bridgeport addressed the committee. He relayed that he worked with HUD years ago to provide a means of financing for larger scale developments. He noted the need for an additional finance source to cover the development costs. He added that Bridgeport received a little over \$3 million for this project. He added that the objective was to leverage the debt to cover the development challenge by means of:

- stretching the development cost as needed
- being aware of the cost value issue, i.e. it will cost more to develop than what it's worth when it's completed

Mr. Gremse stated that the development is maximizing its potential debt and they can only borrow 65% of the development cost. The development will cost \$31 million, but the actual value is closer to \$42 million. Again, they can only obtain a loan from a conventional lender to cover 65% of the development. The idea of the Section 108 loan is to cover the difference between what they received funding for and the actual cost.

He explained that the block grant program is pledged as a backup source of repayment. The intention is to underwrite it to protect the city's investment and to assure that there is adequate coverage. Also, HUD needs to ensure there is additional security for the

project and adequate guarantees for the development. So the second collateral loan proposed has to be repaid. Overall, they have to assure that there are adequate repayment source, as it pertains to conventional debt and conventional equity. It was noted that the source comes from private investors.

Co-chair Curwen asked if there was anyone else present to speak in favor of the item.

- Council member Holloway stated that he was there to speak in favor of the proposal. However, he relayed that twenty years ago, the city received \$10 million in block grant money, in comparison to the \$4.5 million they recently received. He clarified that the block grant money is taken off the top when they receive it. He went on to emphasize that the east end area needs retail and shopping, but he cautioned that there is a chance the matter will be readdressed next year, in regard to additional funding that may be required. He reiterated that every year, block grant money is taken off the top and they needed to be aware that they will repay it. He repeated that although he was in favor of the project, he thought that it was important to understand how the money is allocated. He felt that any comments and questions should be addressed. It was stated that any questions would be answered through committee.
- Lydia Wade, President of the East End NRZ expressed that the east end hasn't had what they needed for three decades. She commented that the project will not only serve the east end, but the entire city. It will bring jobs and tax revenue to the city.
- Keith Williams, a member of the East End NRZ stated that they have been working on the plan for a while. He clarified that it wasn't just an east end plan, but a city plan that will help move the city along and promote jobs and taxes. He expressed that it was a good project to help the east end come back on track. He urged approval of the project to assist the endeavor.
- Charles Coviello, 73 Willow Street stated that he was a board member of the East End NRZ. He expressed that he was in favor of the plan. He relayed that he was in favor of the project due to the positive effect it will have on the sale of the property across the street. It will also let people know that they will have a place to shop with waterfront access. He pointed out that the east end residents have had to go to the Town of Stratford to shop, so the project will be viable for the community. Another

aspect of the plan is that it will benefit the entire city since it's close to I-95 and it will also benefit Stratford residents. Overall, he felt that the development will create an atmosphere of success along the Stratford Avenue corridor. He urged support of the project, noting that for a change, they will have a nice project in the east end.

- Council member Baker expressed his thanks to all the east end residents that came out tonight. He urged that they move the NRZ plan forward, noting that the constituents were key in helping these plans move forward. He relayed that this project will put jobs in the community and generate tax revenue. He further relayed how important it was to put some good development projects along I-95 that will send a message that Bridgeport is “alive and well”! Overall, he was in full support of the project and urged support of the committee.

- Michael Jordan stated that he was a board member of the East End NRZ. He said he was in support of the project and he echoed the support of the previous speakers. He added that it was an exciting time for the east end and he urged support of the plan.

- Ella Marsh stated she was a member of the East End NRZ. She mentioned that she spends \$20k per year in taxes in Bridgeport. She said she was in favor of the Seaview Plaza project and she made a request that the committee not look at this project as a political or racial issue, but more as a need issue. She emphasized the need in the east end. She stressed that “people for the people, can make it happen for the people in the east end”.

- Richard Bishop stated he was in favor of developing the site. He noted that contrary to the belief of what Council member Holloway relayed, the developer has vowed to pay back the loan and it won't be the city's responsibility. He went on to say that the same developer is currently constructing a project in Norwalk and he has done other successful projects throughout Connecticut. Overall, he said he was fully in support of the project due to the financial hardship that has been seen throughout the city. He felt it made good economic sense to see the project to fruition, because it will generate taxes. He added that he would love to see the tax burden decreased for residents. He felt this could be accomplished by the creation of economic development that will not only benefit the east end, but Bridgeport as a whole. He further relayed how

Bridgeport has often been overlooked for funding because they are often just seen as being part of Fairfield County as an affluent area.

Co-chair Curwen asked again if there was anyone else present to speak in favor.
Hearing none.

Co-chair Curwen asked if there was anyone present to speak against.
Hearing none.

**** COUNCIL MEMBER dePARA MOVED TO CLOSE THE PUBLIC HEARING**
**** COUNCIL MEMBER LYONS SECONDED**
**** MOTION PASSED UNANIMOUSLY**

The public hearing closed at 6:55 pm.

ADJOURNMENT

**** COUNCIL MEMBER MARTINEZ MOVED TO ADJOURN**
**** COUNCIL MEMBER LYONS SECONDED**
**** MOTION PASSED UNANIMOUSLY**

The public hearing was adjourned at 6:56 pm

Respectfully submitted,

Diane Graham
Telesco Secretarial Services